# AN INTRODUCTION TO MANAGING FEDERAL FUNDS: DOCUMENTING CASH AND IN-KIND MATCHING FUNDS:

National Heritage Area Program

June 2009

### Some Helpful Definitions

The **annual or yearly budget** is the projected cost to operate a heritage area coordinating entity for the year. The budget is included in the modification to your *cooperative* agreement. It is the total of the federal allocation and the matching funds.

The **federal allocation** is the portion of your yearly budget made available through federal funds each year; these funds are for authorized expenditures as defined by your approved annual work plan

The **match** is the portion of total expenditures not paid for with Federal funds, in most cases, must be equivalent to at least 50% of the total yearly budget. Match can be in *cash* and/or *in-kind*.

### Cash vs. In-kind

**Cash** is gross income taken in by the heritage area. It is directly generated by a supported activity (i.e. charging for a program, selling a product, etc) or earned as a result of the award. Cash can include funds garnered through other, nonfederal grant sources. Cash can also be in the form of "funding match" from heritage area partners for activities identified in the work plan.

**In-Kind contributions** are non-cash donations provided by non-Federal third parties. These can be in the form of real property, equipment, supplies, services, and other expendable property.

The basic rule is that matching share contributions must be necessary to achieve the objectives of the heritage area, and must share the cost of performing the tasks outlined in the work plan

## What Heritage Area Costs are "Allowable" under OMB and NPS regulations

#### To be **allowable**, heritage area costs must:

- ☑ Demonstrate <u>a clear tie</u> to the NHA authorizing legislation, management plan and annual work plan
- ☑ Be <u>consistent with policies and procedures</u> that apply to both federally-financed and other activities of the organization
- ☑ Be <u>reasonable</u>, i.e. not exceed what a prudent person would do under the circumstances at the time the decision was made to incur the cost
- **☑** Be given <u>consistent treatment with other costs</u> incurred for the same purpose in like circumstance
  - **☑** Whether the source of funding is federal or non-federal
  - **☑** Whether the work is done in-house or externally

## What Heritage Area Costs are "Allowable" under OMB and NPS regulations

#### Continued.....

- **☑** Be in accordance with Generally Accepted Accounting Principles (GAAP)
- ☑ Meet OMB circular requirements (see final slide for reference) and other NPS program specific requirements, i.e. cannot use funds to acquire real property
- ☑ Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program, i.e. if you have already used funds to match another federal grant, they cannot also be applied towards heritage area activities
- ☑ Be adequately <u>documented</u> and verifiable from NHA records
- ☑ Be incurred during the period of the cooperative agreement modification, unless an exception is approved by NPS to allow what are termed "pre-award costs," or "pre-agreement costs."

#### The basics of documentation

#### What is documentation?

It is the act of retaining references or records. Documentation is the tangible evidence of heritage area activities and expenditures.

#### Why is it important to retain these records?

- To track and review information for future reference and program evaluation
- □ To provide historical evidence and proof of accomplishments
- To prepare for an audit and other accountability measures

### What to document....

The next few slides describe different key areas that require documentation per the Office of Management and Budget (OMB) and the National Park Service.

This documentation is primarily "fiscal accountability." It tracks how you spent your yearly budget, as well as how you met the legal requirements of your legislation, including the need to match all federal funds received through the National Heritage Area program.

As part of this process, you will also be keeping track of deliverables outlined in your work plan. This is important because it demonstrates, in a transparent manner, progress towards completing management plan and legislative goals and mandates..

### Examples of areas to document

Salary

Benefits

Travel

**Supplies** 

Training

Evaluation

Admin.

Contract & Consulting

All **Salaries and Wages** charged against Heritage Area funds should be supported by signed timesheets & attendance records. It might also be useful to keep track of how much staff time was spent on different program areas, to measure progress towards work plan deliverables and management plan implementation. Documents to keep include:

- □ Signed timesheets with supervisory approval
- □ Quarterly payroll returns (941)
- Payroll register
- □ Personnel file with salary/wage information
- **□** Employment contract
- □ Cancelled checks/ Direct deposit schedule
  - State, Local and Indian Tribal Governments must comply with requirements of § 2 CFR 225 [OMB A-87]
  - Educational Institutions must comply with requirements of § 2 CFR 220 [OMB A-21]
  - Non profit organizations must comply with requirements of § 2 CFR 230 (formerly A-122)

Benefits

- Insurance policy
- Paid invoices and receipts
- Claims made against the insurance
- Cost allocation plan

Travel

- Authorization/reimbursement requests
- Paid invoices and receipts
- Per diem rates (applicable for area)
- Mileage calculation
- Reconciliation of advances to payments
- Connection to work plan

Supplies

- Purchase orders
- Packing slips
- Paid receipts and invoices
- Donated Supplies, i.e., in-kind donations
- Connection to work plan

Contracts & Consultant

#### The Selection Process

- Press releases announcing available RFP/RFQ
- Copy of RFP/RFQ & set of responses
- Process for selection
- Contract and scope of work, including deliverables
- Signed agreements

#### The Work Completed

- Purchase orders
- Paid invoices and receipts
- Connection to work plan

Training

- Agenda
- Course description, cost
- Sign-in sheet
- Consultant/trainer agreement
- Paid invoices and receipts
- Connection to work plan

Evaluation

- Purchase orders
- Signed agreement/contract
- Paid invoices and receipts
- Final copy of the evaluation report
- Connection to work plan

Admin.

- Authorized in the budget
  - Cost must be identifiable to the project
- Purchase orders
- Paid invoices and receipts
- Packing slip



- Cooperative agreement and yearly modifications with an eye towards demonstrating the tasks laid out in the work plan
- Updates to work plan that might accompany reimbursement requests
- General correspondence
- Reimbursement requests
- Financial Status Reports
- Federal Cash Transactions Reports
- Budget vs. actual reports
- Financial statements
- Audits
- General Ledger and supporting ledgers

### Matching Funds: The Basics

#### Cash:

- Donations
- □ Non-Federal income
- Local governments
- State appropriations
- Foundation grants or corporate contributions

## In-Kind Contributions:

Value of donated services and/or donated goods



Labor, space, vehicles training, supplies, equipment

### Volunteer Match: A Special Case

#### Do not count as match -

Routine operations by partners who would do this work whether or not the NHA coordinating entity existed

#### Do count as match -

 Services that contribute to <u>organizational functions</u>, <u>specifically actions that</u> <u>support achievement of NHA legislation</u>, <u>management plan and annual work</u> <u>plan</u>

#### How to count as match -

- Rates for volunteer services shall be consistent with those paid for similar work performed by NHA staff. If no comparison is possible, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the type of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation. You can seek out information on wage rates through <a href="www.bls.gov">www.bls.gov</a> or by consulting other non-profits in your region
- Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees' time and attendance records.

#### How to record in-kind contributions

- Maintain adequate documentation to support the amounts claimed as match, for example:
  - Signed & dated time sheets filled out by volunteers working at a Heritage Area event
  - Signed & dated mileage sheet filled out by partners attending Heritage Area meetings
  - Donation form filled out by partner providing space at no or reduced cost with a detailed description of room or building
  - Receipts for supplies or services donated by a partner with a detailed description of the item(s) or the service (s)
- Record donation and valuation of item in detail
- Enter into the general ledger as income and expenditure as a failure to enter match contributions into general ledger requires a formal explanatory policy and separate spread sheet accountability of receipt and use
- Remember to link the in-kind contribution (if used as match for your federal funds) to an action or project mentioned specifically in your annual work plan

#### How to record in-kind contributions

### Remember to document these areas when tracking in-kind contributions:

- □ **Who is the source** be able to demonstrate that the contribution is from an acceptable donor source, this is especially important for audit purposes.
- □ **What was donated** be able to demonstrate that what is being used as match is suitable for match. Be specific and show how it related to the legislation, management plan and work plan
- How was the value determined the donor should generally determine the value and it should be based on standard objective sources rather than best guesses. Your heritage area should document the basis for determining value of personal services, material, equipment, building, and land.
- □ **Who verified the information** who certified that the information is correct? Is there a responsible party who is prepared to sign that the information is true and correct.
- Link to Heritage Area legislation and management plan

Adapted from the Colorado CSCB matching grants program guidelines

### Tips for valuing in-kind contributions

- Use fair market value
- What would it cost to obtain a similar good or service?
- The value of donation should be placed by the donor
- Review any donation letter or form to ensure the value is reasonable

The IRS defines **fair market value** as the price that item would sell for on the open market.

#### IRS Form 990 and in-kind contributions

- □ In 2007, the IRS changed the Form 990
- Revised Form 990 must be used for reporting year in 2009
- **NEW Schedule M, Non-Cash Contributions:** 
  - Requires organizations to report the aggregate of \$25,000 of 24 specific categories of non-cash property an organization receives
  - May require organizations to implement new recordkeeping practices

See the revised Form 990: www.irs.gov/charities

### Don't forget

- Familiarize all staff members with the cash and in-kind match documentation requirements
- Establish documentation for expenditure requirements to ensure costs allowable per OMB and NPS regulations
- Ensure supporting documentation relates directly to your legislation, management plan and work plan
- 4. Maintain proper records and establish a written record retention policy for staff, board and partners

#### **Useful References Materials**

#### **Cost Principle Requirements:**

- □ OMB Circular A-21: Cost Principles for Educational Institutions
- □ OMB Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments
- □ OMB Circular A-122: Cost Principles for Non-Profit Organizations

#### **Administrative Requirements:**

- OMB Circular A-102: Grants and Cooperative Agreements with State and Local Governments (CNCS: § 45 CFR 2541)
- OMB Circular A-110: Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (CNCS: § 45 CFR 2543)

#### **Audit Requirements:**

□ OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations

OMB Circulars: www.whitehouse.gov/omb/grants/grants\_circulars.html